

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Application for Waiver

Docket No. RM2022-12

PUBLIC REPRESENTATIVE COMMENTS
(August 16, 2022)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 6244.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, that address the Postal Service's application for waiver pursuant to 39 C.F.R. § 3030.286, requesting that the Commission waive the applicability of 39 C.F.R. § 3030.284 as it relates to the workshare discount associated with USPS Marketing Mail Carrier Route Flats dropshipped at the Destination Delivery Unit (DDU) in the next rate adjustment filing.²

II. BACKGROUND

Pursuant to 39 CFR 3030.286, the Postal Service may seek permission to set workshare discounts that do not comply with the requirements of 39 C.F.R. §§ 3030.283 and 3030.284.³ In the instant docket, the Postal Service seeks to have the Commission waive the applicability of 39 C.F.R. § 3030.283 to the workshare discount for Marketing

¹ Notice and Order Concerning Postal Service Application for Waiver Under 39 Cfr 3030.286, August 9, 2022 (Order No. 6244).

² United States Postal Service Application for Waiver Under 39 CFR 3030.286, August 8, 2022 (Application).

³ Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020 (Order No. 5763).

Mail Carrier Route Flats dropshipped at the Destination Delivery Unit (DDU). Application at 1.

The Postal Service claims that “it is mathematically impossible for both the DSCF and DDU passthrough percentages to be compliant with the requirements of 39 C.F.R. §§ 3030.283 and 3030.284, at least without resorting to irrational pricing.” Application, at 6-7. The Postal Service seeks permission to set prices for Marketing Mail Carrier Route Flats such that the passthrough percentage for pieces dropshipped at the DDU is out of compliance, approximately 105.0 percent passthrough. *Id.* at 8.

The Postal Service provides three justifications to support its application. First, it contends that the Postal Service would seek prices that would “minimize non-compliance and its consequences,” with just the DDU discounts set out of compliance, resulting in approximately 105 percent passthrough. *Id.* It further contends that the cost of this noncompliance is only approximately \$200,000. *Id.* Second, the Postal service explains that requiring compliance for passthrough percentages at all dropship levels for Marketing Mail Carrier Route Flats would result in “pricing that is prima facie irrational.” *Id.* at 8-9. Third, the Postal Services assures the Commission that “such waivers for Marketing Mail flats will not be necessary in other future Market Dominant price cases because “the Postal Service is investigating structural changes in pricing of flat- and parcel-shaped pieces, such that the calculation of passthroughs will no longer require pieces and pounds data to calculate dropship passthroughs. *Id.* at 9.

With its filing, the Postal Service provided a worksheet that demonstrates the effect of average weights on passthrough percentages for Marketing Mail Carrier Route Flats at different dropship levels. *Id.* at 7.

IV. COMMENTS

The Public Representative supports the Postal Service’s request to waive the applicability of 39 C.F.R. § 3030.284 as it relates to the workshare discount associated with USPS Marketing Mail Carrier Route Flats dropshipped at the Destination Delivery

Unit (DDU), but recommends that the Commission require that the Postal Service minimize non-compliance of the discount. The Public Representative finds that the Postal Service has sufficiently demonstrated that complying with § 3030.284 would result in irrational pricing. The Public Representative also agrees with the Postal Service that because Marketing Mail Carrier Route Flats dropshipped to the DSCF is the larger category in terms volume, it is preferable to waive § 3030.284 with respect to the DDU, than the DSCF one. As such, the Public Representative supports allowing the Postal Service to set a passthrough for Marketing Mail Carrier Route Flats dropshipped to the DDU above 100 percent.

However, in its application for waiver, the Postal Service seeks permission to set the DDU passthrough at approximately 105 percent. If the Postal Service sets the DSCF price at \$0.581, and seeks to maintain a price differential between DSCF and DDU Carrier Route Flats weighing 4 ounces or less, the Postal Service could set two different prices for DDU Carrier Route Flats, both of which produce an approximately 105 percent passthrough. The Postal Service could set the DDU price at \$0.576, producing a 105.0 percent passthrough, or it could set it at \$0.577, producing a 104.9 percent passthrough. By setting the DDU price at \$0.577 instead of \$0.576, the cost of noncompliance is reduced by \$3,581. The Public Representative appreciates that “the Postal Service would intend to seek approval of prices that will minimize non-compliance and its consequences” in its next market-dominant rate filing. *Id.* at 8. Nonetheless, the Public Representative believes the Commission should insist on it. As such, the Public Representative recommends that the Commission specify that the Postal Service must set the DDU discount as close as possible to 100 percent passthrough, without disrupting rational rate relationships.

V. CONCLUSION

For the reasons discussed above, the Public Representative recommends that the Commission approve the Postal Service’s waiver request, with the additional

restriction described above. The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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